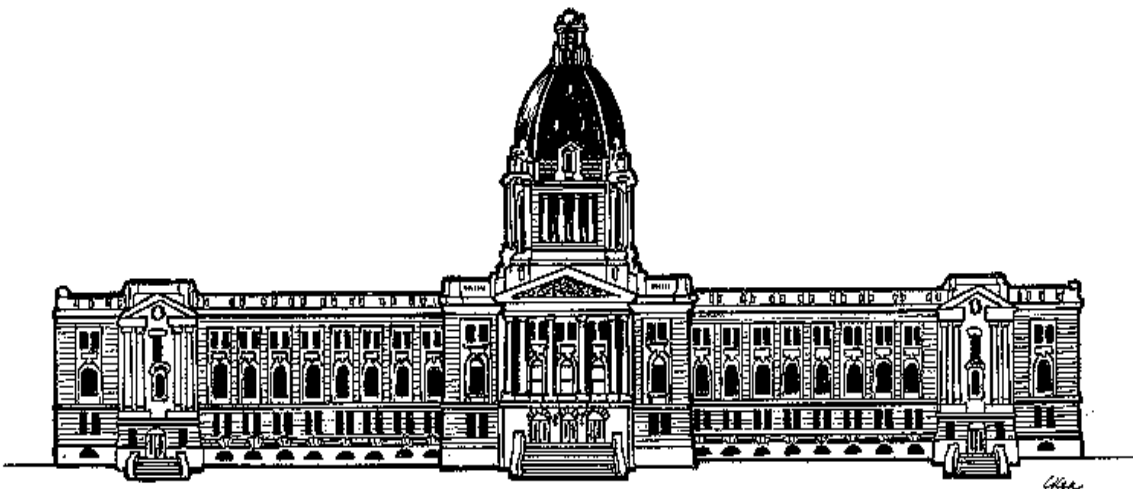




# **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

## **Hansard Verbatim Report**

**No. 31 – February 9, 2011**



**Legislative Assembly of Saskatchewan**

**Twenty-sixth Legislature**

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Trent Wotherspoon, Chair  
Regina Rosemont

Mr. Glen Hart, Deputy Chair  
Last Mountain-Touchwood

Ms. Pat Atkinson  
Saskatoon Nutana

Mr. Dan D'Autremont  
Cannington

Mr. Rod Gantefoer  
Melfort

Mr. Warren Michelson  
Moose Jaw North

Mr. Lyle Stewart  
Thunder Creek

[The committee met at 10:05.]

**The Chair:** — Good morning committee members. We'll convene at this point in time the Standing Committee on Public Accounts. With us here this morning as committee members we have Vice-Chair Mr. Hart, Mr. Gantfoer, Mr. Stewart, Mr. D'Autremont, Mr. Michelson, and myself as Chair.

Joining us is our acting Provincial Auditor, Mr. Atkinson, and officials. Thank you so much for joining us here this morning.

Just to run across the scope of our business here today, we've got a couple documents to refer. We have . . . But our primary considerations today are as it relates to the *Annual Report on Operations for the Year Ended March 31, 2010* and the *Business and Financial Plan for the Year Ended March 31, 2012*.

Now I just see here I've got a couple, I deem referred to this committee and table at this point in time a couple documents specifically PAC 28/26, Ministry of Education. These are the responses to questions asked at the Standing Committee on Public Accounts meeting January 19th, 2010 relating to listing of capital projects that did not follow the ministry's delegated authorities and an update on the mould situation at Parents daycare in Saskatoon dated January 24th, 2011.

Also referred at this point in time and tabled are PAC 29/26, Ministry of Finance reporting of public losses for the period from October 1st, 2010 to December 31st, 2010 dated February 4th, 2010 .

We've also received a letter that's been circulated to committee members from the Saskatchewan Safety Council as it relates to audit services they've been receiving from the Provincial Auditor and a request on that front. Committee members have that. Maybe that aspect could be considered as we look at the business plan and financial plan for the current year.

So at this point in time I would turn our attention specifically to the *Business and Financial Plan for the Year Ended March 31, 2012*, and I would invite brief remarks or a presentation from our acting auditor, Mr. Atkinson. And maybe he would as well introduce his officials here with him today.

***Business and Financial Plan  
for the Year Ended March 31, 2012  
and  
Annual Report on Operations  
for the Year Ended March 31, 2010***

**Mr. Atkinson:** — Thank you, Mr. Chair. With me this morning is Angèle Borys. Angèle is a principal with our office. And also with me is Heather Tomlin. Heather is our office manager.

**The Chair:** — Thank you, Mr. Atkinson. Would you like to go ahead with a brief presentation on the business and financial plan at this point in time?

**Mr. Atkinson:** — Certainly.

**The Chair:** — Thank you very much.

**Mr. Atkinson:** — Okay, thank you. We tabled the Business and Financial Plan on December the 6th, 2010. We normally table our plan in late November.

We prepare and table a comprehensive plan to allow members the opportunity to advise you on the relevance of our planned work before you review our plan. Under *The Provincial Auditor Act* the committee can approve the estimates that we present or change them. When the committee has decided on our resources, the committee sends the approved estimates to the Speaker. From there the committee's approved estimates for our office are included in the government's 2011-12 estimates presented to the Assembly.

Before I discuss our request for resources, I'll provide a brief introduction. Legislators need relevant and reliable information to assess our request for resources. To address relevancy, we prepare our Business and Financial Plan using the reporting principles recommended by the Canadian Institute of Chartered Accountants.

Our business plan sets out the work required to discharge our responsibility under *The Provincial Auditor Act*. To address reliability, the business plan includes our audited financial forecast. The financial forecast reflects our request for resources. Your auditor, Virtus Group LLP chartered accountants, reports that our financial forecast is consistent with and reasonable in relation to the operating plan — that is, our goals and objectives.

The plan is essentially unchanged from last year. It recognizes that we are in a holding pattern because leadership of the office will change in the next fiscal period. It also recognizes that significant changes in Canadian accounting and auditing standards continue. This causes change in audit methodology and audit work effort for all Canadian auditors, including my office.

Legislators also need to know how alternative levels of funding for our office would affect our ability to discharge our statutory responsibilities. Pages 22 and 23 discuss that issue. That completes my brief introduction.

Now I'll talk about our request for resources. Pages 3 and 4 are a summary of the request. As I indicated during the introduction, the committee's auditor, Virtus Group, provides assurance on page 25 that our request for resources is reasonable to carry out our business plan.

Consistent with prior years, we are requesting two appropriations. The first appropriation is for auditing government agencies during the 2012 fiscal year. We use a risk-based model to set priorities and allocate resources for our work plan. It's based on what we know about the government's 2011 revenue and spending; the number of government agencies, the state of their records, their systems, their practices, and their personnel; the government's use of appointed auditors and professional standards at October the 31st, 2010.

For our first appropriation we are requesting \$7.62 million for the year ended March 31st, 2012. This request is \$115,000 or 1.5 per cent more than last year's request, but it also reflects our

plans to absorb significant additional costs caused by external factors. To remain competitive our salary costs for 2012 include salary increases of 1.5 per cent on April the 1st, 2010 and 2 per cent on April the 1st, 2011.

These are the same increases authorized by the government for its employees. These general salary increases or adjustments increase our salary and benefit costs by about \$198,000, but we plan to absorb \$83,000 of these costs and decrease our workforce by one full-time equivalent.

A strong job market for professional accountants and changes to accounting and auditing standards causes an increase in our costs similar to increases . . . and those costs are similar to increases in the appointed auditor's fees. For example, six significant Crown agencies paid their appointed auditors increases of 6 per cent from 2009 to 2010. They have also approved increases of 5 per cent for 2011.

Although significant changes to Canadian accounting and auditing standards continue, we have not increased our planned costs. If we do incur additional costs, we will give best efforts to absorb those costs in our existing budget.

And finally, agencies created and wound up by the government can impact our total costs. For 2012 agencies created and wound up have not significantly affected our total costs. We provide details on page 35.

Moving on to our second appropriation, it is the contingency appropriation required by *The Provincial Auditor Act*. Its purpose is to provide our office resources to respond to unforeseen expenses such as unplanned work, pressure to improve the timeliness of our work, and unplanned salary and benefit increases.

[10:15]

In the past we kept net financial assets or received a contingency appropriation equal to about one month's salary and benefit expenses to respond to these matters. We are requesting a contingency appropriation of \$514,000 for 2012. Our 2011 contingency appropriation was \$503,000.

These amounts are about one month's salary and benefit expenses. If we use the contingency appropriation during 2012, we'll make a full report as to why we used the appropriation and the amount that we used in our 2012 annual report. At this time we expect that we will use substantially all of our 2011 regular appropriation and none of our 2011 contingency appropriation. That ends my presentation, and I'll be pleased to try to answer your questions.

**The Chair:** — Thank you, Provincial Auditor Atkinson. I would also reference to committee members that we'll also concurrently be considering the *Annual Report on Operations for the Year Ended March 31, 2010*. This may supply information that you deem useful in questioning here today or understanding the current estimates put before us. So I turn it over to committee members for respective questions to the auditor's office. Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you. On the contingency funds,

you're saying that you had 503,000 for 2011, but yet you've used none of it and you're requesting 514,000 for 2012. Obviously that means that the province has to budget for that half a million dollars and set it aside. Would it not be better for the overall budgets to not have the contingency fund there but to be able to come back either through PAC [Public Accounts Committee] or Board of Internal Economy for additional funds if needed?

**Mr. Atkinson:** — I think you have to look back in history as to the reason why we have the contingency appropriation. That appropriation was meant to enhance the office's independence that if we had unplanned work to do. And that's happened in the past, that we do not come back to ask for a special warrant, that the money has already been provided and that we can go on and continue and do the work without the delay of waiting for that additional authorization.

So I think that you know it would, as you say, it would make it easier for the government not to have to put that contingency appropriation within their budget, but it would also have secondary impacts on our ability to do unforeseen work if it comes up, and it has in the past. And with the contingency appropriation being there it's enabled our office to be able to respond quickly to requests either from the government or from this committee and allow us to do that work and report back in a timely fashion.

**Mr. D'Autremont:** — Thank you.

**The Chair:** — Now I believe this was something that's prescribed in an Act in 2001. Is that correct, the contingency allocation, and it reflects a certain proportion I believe of a year's operations, possibly one month. Is that the general piece of it?

**Mr. Atkinson:** — That's correct.

**The Chair:** — Okay. Mr. Michelson.

**Mr. Michelson:** — Thank you, Mr. Chair. Can I ask how often since this was proclaimed has this contingency fund been used?

**Mr. Atkinson:** — We used the contingency fund appropriation in 2004-05, 2005-06, 2006-07, and 2007-08.

**Mr. Michelson:** — So yes, about half the time so it's . . . Okay, thank you.

**Mr. Atkinson:** — You're welcome.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Yes, thank you. Mr. Atkinson, you mention in your report that you will be decreasing the workforce by one full-time equivalent. That's where you will find some of your savings to absorb some of the additional costs that you're experiencing due to increased salaries and those sorts of things. I wonder if you could explain where that decrease will happen and the effect of the decrease in one full-time equivalent.

**Mr. Atkinson:** — Thank you for your question. The way we do our planning is that we look at the staff we need to get the

coverage that we require to do all of the audits that we've planned to do. What we have done is that we have looked very carefully at places where we can do a better job using less hours. We've looked at places where we can assess our risks and adjust our risk tolerances. We've looked at a number of different areas.

One of the things that we didn't, as I indicated during my presentation, we haven't put in is the effect of changing accounting and auditing standards. We haven't put that into the appropriation request because we did not feel that we had sufficient information to be able to estimate what the impacts of that would be in any reliable manner. And rather than ask for additional money that we couldn't, you know, suggest with all certainty that we would require, we decided not to put it into the appropriation request.

When we took a look at everything, we decided that we could operate with one less person to try to, you know, show some cost-consciousness, if you want to call it that. And we prepared the plan that way. As I say, if things don't turn out, if there's unplanned work or whatever else, that's what our contingency appropriation is for.

**Mr. Hart:** — So the citizens of the province can rest assured that the Auditor's office will be able to maintain and do the work that they have done in past years. And even though you're budgeting for a one full-time equivalent decrease, there won't be any reduction in the level of scrutiny that your office does on behalf of the citizens of this province.

**Mr. Atkinson:** — That's correct.

**Mr. Hart:** — Good. Thank you for that.

**The Chair:** — Further questions at this point in time? We do have one consideration that's been put before us by way of a letter from the Saskatchewan Safety Council. Each of you have had the chance to review that. It relates to a 40-year history from the Auditor's office providing accounting or audits for the Saskatchewan Safety Council. There has been concern that that may be cut here this year. There may be a broader question of whether or not that's appropriate and beyond the primary work of the Auditor's office, and I guess should we seek clarification from our Auditor's office why a decision has been made at this point in time to possibly look to . . . for the Saskatchewan Safety Council to look for external audit services.

**Mr. Atkinson:** — Are you asking me why we've decided not to do this audit?

**The Chair:** — Correct.

**Mr. Atkinson:** — Each year we take a look at every agency that we do audit, and the first question we ask ourself is is this agency subject to an audit under *The Provincial Auditor Act*? The answer, in this case, the answer was no. And I do recognize that we have provided audit services to this agency for a great many years, as the letter indicates, I think something about 40 years. That in fact is true. I don't know how it got started, and all I can tell you is that we have continued over the years. When we looked at it this year, we concluded that it was not subject to an audit by our office and therefore it was not included in our

request for resources.

**The Chair:** — If this committee were to request that your office consider providing that audit for one more year with recognition to the Safety Council that they are able to then plan to have that external audit in place for future years, is that a consideration that your office would take seriously?

**Mr. Atkinson:** — Yes, we'd give that very serious consideration.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Mr. Atkinson, in their letter they estimate that the audit cost will be about \$21,000. Is that figure in line with the cost that your office . . . to undertake to provide the audit for this council? I'm just asking if the estimate is in the ballpark, I guess.

**Mr. Atkinson:** — It's my understanding that we spend resources between 20 and \$30,000 to do the audit of the Safety Council and that, I would suspect, would continue.

**Mr. Hart:** — Sure, okay. Good. Thank you.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Mr. Chairman, in view of the discussion and the answers that we've received and the indication that the Auditor's office would provide audit services for one more year I would move the following motion:

That the Public Accounts Committee ask the Provincial Auditor to consider providing audit services to the Saskatchewan Safety Council for 2011 to enable the Council to plan and obtain another auditor for 2012 and future years.

I would so move, Mr. Chair.

**The Chair:** — Moved by Mr. Hart. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — It's agreed that this committee and I'll read the motion out at this point in time. Moved by Mr. Hart:

That the Public Accounts Committee ask the Provincial Auditor to consider providing auditing services to the Saskatchewan Safety Council for 2011 to enable the Council to plan and obtain another auditor for 2012 and for future years.

That's been moved and agreed to by this committee.

**An Hon. Member:** — *Nemine contradicente.*

**The Chair:** — At this point in time is there further discussion about the estimates put before us or about the business plan specifically? If not, certainly we could . . . Mr. Michelson.

**Mr. Michelson:** — My question would be, if that's the estimated cost of conducting this audit for the Safety Council,

would that be in addition to any budgetary . . . that you're asking for for the coming year? Would you add on another \$21,000?

**Mr. Atkinson:** — Mr. Michelson, no. What we would try to do is that we'll take your request very seriously, and we'll try to do that within the appropriations that we have asked for.

**Mr. Michelson:** — Thank you.

**The Chair:** — Without seeing any further questions at this point, we have two subvotes, two estimates before us, both the primary estimate and as well the contingency amount. I would look to a committee member to move the following motion. The first one being, and this is subvote (PA01):

That the 2011-2012 estimates of the Office of the Provincial Auditor, vote 28, Provincial Auditor (PA01) be approved as submitted in the amount of 7,418,000.

**Mr. Hart:** — Mr. Chair, I so move.

**The Chair:** — Moved by Mr. Hart. All in favour? It's agreed that this committee agree with this motion.

**An Hon. Member:** — *Nemine contradicente.*

**The Chair:** — Second motion for consideration here:

That the 2011-2012 estimates of the Office of the Provincial Auditor, vote 28, unforeseen expenses (PA02) be approved as submitted in the amount of 514,000.

Moved by Mr. Hart. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — So moved by this committee.

One more motion. And a further motion to consider:

That the estimates as approved be forwarded to the Speaker as Chair of the Board of Internal Economy pursuant to section 10.1(4) of *The Provincial Auditor Act*.

Do we have a mover? Mr. Stewart moves. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — So moved by this committee.

At this point in time with no further business before us, it's my pleasure to thank Mr. Atkinson for both the service that he and his office provides the people of Saskatchewan and the work that they have planned for in the coming year. Thank you for that. And thank you for coming before us here this morning. Any closing remarks at all, Mr. Atkinson?

**Mr. Atkinson:** — Just to say thank you to the committee. And the support of this committee is key to our office to be able to continue to fulfill its mandate to the people of Saskatchewan. Thank you.

**The Chair:** — Thank you, Mr. Atkinson. Mr. Hart.

**Mr. Hart:** — Mr. Chair, before we adjourn I would just like to take this opportunity to thank Mr. Atkinson for his years of service to the province. I understand he will be retiring shortly, and we certainly wish him a well-deserved retirement. And I'm sure he will be keeping himself busy, and I'm sure this won't be the last time we will be seeing him in some form. And just on behalf of the people of the province, thank you and good luck in your retirement.

**Mr. Atkinson:** — Thank you very much.

**The Chair:** — And I believe he's not off the hook quite that easy yet. I suspect we might have him before this committee through March as well prior to his departure. So no planning any big vacations yet, Mr. Atkinson, and we'll have lots of time for kind words for your great service to the people of Saskatchewan.

Without any further considerations at this point in time I would welcome a motion of adjournment. Moved by Mr. Michelson. All agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — It's moved that this committee now adjourn.

[The committee adjourned at 10:29.]